



LEGISLATIVE FISCAL OFFICE

Fiscal Note

Fiscal Note On: **HB 189** HLS 09RS 825
Bill Text Version: **ENROLLED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: June 24, 2009	2:55 PM	Author: GREENE
Dept./Agy.: Revenue		
Subject: State Sales Tax On Meals At Certain Institutions		Analyst: Greg Albrecht

TAX/SALES-USE, STATE EN -\$750,000 GF RV See Note Page 1 of 1

Provides relative to the state sales and use tax exemption on the sale of meals by educational institutions and other organizations
Current law provides a sales tax exemption to meals furnished to staff, students, patients, inmates, boarders, etc. by various institutions (educational, hospitals, rooming houses, occasional meals, etc.). Meals provided to the general public have never been exempt from tax under this provision. This exemption has been suspended to varying amounts of the state’s 4% sales tax and for varying time periods since 1985, thus, subjecting these meals to varying tax liability since then. Currently, these meals are subject to a 4% tax liability through June 30, 2009, and then to a 1% liability thereafter.

Proposed law removes 3% of tax liability from January 1, 1998 and removes the 1% tax liability in place after June 30, 2009 from January 1, 1998 and thereafter, making these meals fully tax exempt from FY10 and beyond. The exemption provided in R.S. 305(D)(2) is clarified, as well. While the bill is applied retroactively, taxes paid in the past not under protest with suit filed for recovery shall not be refunded. Effective upon governor's signature.

EXPENDITURES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2009-10	2010-11	2011-12	2012-13	2013-14	5 -YEAR TOTAL
State Gen. Fd.	(\$750,000)	(\$750,000)	(\$750,000)	(\$750,000)	(\$750,000)	(\$3,750,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	(\$750,000)	(\$750,000)	(\$750,000)	(\$750,000)	(\$750,000)	(\$3,750,000)

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

REVENUE EXPLANATION

The Department of Revenue indicates that it is unaware of any elementary or secondary education institutions ever remitting tax under this provision. In addition, public health institutions are exempt from sales taxes under other provisions of law. Thus, any ongoing tax collections are likely to have come only from food service providers at private hospitals, nursing homes, and universities, and the department is aware of remittances from university providers beginning only this calendar year. The department indicates that audits performed on these food service providers suggests as much as \$40 million per year of meal transactions subject to tax; a \$400,000 per year tax liability at 1% of tax. Available beds, occupancy rates, and daily food costs averages provided by the Louisiana Hospital Association, StateHealthFacts.org, DHH private nursing home medicaid cost reports, and HCSD suggest that the 1% tax liability of private health institutions might be less than \$150,000 per year. This estimate is generated from a variety of different data sources, and seems fairly low. However, if doubled or even tripled, the total amount of 1% tax liability addressed by this bill still seems likely to be under \$1 million per year.

The bill applies the effectiveness of the exemption retroactively, insuring that affected taxpayers are not liable for taxes they did not remit in past periods. However, correctly computed taxes not paid under protest with suit filed for recovery shall not be refunded.

Senate	Dual Referral Rules	House	
<input type="checkbox"/> 13.5.1 >= \$500,000 Annual Fiscal Cost		<input type="checkbox"/> 6.8(F) >= \$500,000 Annual Fiscal Cost	
<input checked="" type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease	H. Gordon Monk Legislative Fiscal Officer